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E.O. 12958: DECL: 03/05/2018
TAGS: [PREL](#) [ENRG](#) [ECON](#) [VZ](#) [GT](#)
SUBJECT: (C) DETAILS EMERGE ON POSSIBLE GUATEMALA
PETROCARIBE DEAL

REF: A. GUATEMALA 104
[B](#). GUATEMALA 178

Classified By: Classified by Ambassador James Derham for Reasons 1.4 (b)
) and (d)

[1](#)1. (C) Summary. On February 29, Minister of Energy and Mines Carlos Meany privately passed the Ambassador a memorandum detailing February 11 discussions on PetroCaribe between Guatemala and Venezuela. The memorandum summarizes the current state of play and was given to the Venezuelans to use as a basis for negotiations. On March 4, Meany said President Colom will make a final decision on PetroCaribe in "30 to 45 days" after the Venezuelans have prepared a response. Under a possible agreement, numerous incentives are to be provided by Venezuela including: fuel oil and diesel (in unspecified quantities), "social-productive" investments in the poorest areas of Guatemala, assistance in constructing a refinery, and technical assistance both in the exploration and exploitation of hydrocarbons in Guatemala and to develop geothermal and hydroelectric power in Guatemala. Guatemala plans to make in-kind payments of agricultural and non-agricultural goods for the non-financed portion of petroleum shipments. End Summary.

[1](#)2. (C) On February 11 a five-member team from Venezuela participated in a seven-hour meeting with Guatemalan counterparts to discuss details of a possible PetroCaribe agreement between Venezuela and Guatemala (Ref B). The Venezuelans arrived on a private aircraft at the military side of the La Aurora airport in Guatemala City. Both sides tried to keep the visit low profile. The Venezuelans even filed a flight plan showing their final destination as San Jose, Costa Rica when it was actually Guatemala City. The Venezuelan delegation was comprised of:

- Jenny Figueredo, Venezuelan Ambassador to Guatemala;
- Luis Rivas, Managing Director of Trade and Supplies, PDV Caribe;
- Alfredo Calderon, Manager of Trade and Supplies, PDV Caribe;
- Marianela Ortega, Legal Consultant, PDV Caribe; and
- Emil Kermendy, Representative of the Vice Minister of Energy and Petroleum.

The Guatemalan side was led by:

- Carlos Meany, Minister of Energy and Mines;
- Jose Carlos Garcia, Minister of Economy;
- Oscar Figueroa, Secretary of Economic Planning; and
- Miguel Angel Ibarra, Vice Minister of Foreign Relations

¶3. (C) After opening greetings, Meany delivered a lengthy presentation on the Guatemalan energy sector and emphasized the high cost of oil and its impact on the cost of electricity in Guatemala. Meany said that 42 percent of Guatemala's electricity is generated by fuel-oil driven power plants and he hoped to take advantage of PetroCaribe to import fuel oil to reduce national electricity costs. Meany went on to request Guatemala be allowed to pay for the non-financed portion of any PetroCaribe agreement with in-kind payments of non-specified agricultural and non-agricultural products.

¶4. (C) Following Meany's remarks, Luis Rivas outlined PetroCaribe. He noted that under a PetroCaribe agreement, Venezuela would provide for a portion of Guatemala's petroleum needs. Venezuela would prefer to provide a single type of fuel rather than a range of petroleum products in order to have the greatest impact in a specific sector. Under PetroCaribe, Guatemala would have to arrange for logistics and transport of the petroleum to Guatemala and create a state company to handle the transfers. Guatemala would be required to pay 60 percent of the cost within 90 days and the remaining 40 percent would be financed over 25 years at 1 percent interest (as long as the price of oil stays above \$50/barrel). Rivas urged Guatemala to create a separate public trust company (fideicomiso) to facilitate the administration of the financed portion of the Petroleum imports. He explained that this company would be administrated by a governmental committee that would use incoming funds to design and approve "social and productive" investments in Guatemala.

¶5. (C) After the two presentations and a discussion period, Guatemala appointed a technical team from the Ministries of Energy and Mines, Foreign Relations, Economy and the Secretariat for Economic Planning to work with Venezuela as

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the PetroCaribe program goes forward. The official liaison committee is comprised of:

- Carlos Meany, Minister of Energy and Mines;
- Juan Carlos Garcia, Minister of Economy;
- Oscar Figueroa, Secretary of Economic Planning; and
- Miguel Angel Ibarra, Vice Minister of Foreign Relations

¶6. (C) Following the meeting, the GOG wrote a memorandum summarizing the discussion and its conclusions which it then forwarded to the GOV. According discussions with OG officials, Guatemala is waiting for Venezuelato respond to this memo before making any decisions on the next steps to join PetroCaribe. The conclusions of the memo were:

-- Guatemala must sign a PetroCaribe agreement to be able to acquire fuel oil or diesel from Venezuela on favorable terms.

-- There is a possibility that Guatemala can pay for the petroleum imported under the agreement with agricultural and non-agricultural products produced in Guatemala.

-- Venezuela intends to support Guatemala in building a refinery.

-- Venezuela intends to provide Guatemala with technical assistance in the geothermal and hydroelectric sectors.

-- Venezuela will support "social-productive" investments oriented toward the poorest rural populations of Guatemala.

-- Venezuela intends to provide Guatemala with technical assistance to increase the exploration and exploitation of hydrocarbons.

¶7. (C) Comment. The memorandum provided by Meany accurately tracks with readouts we have obtained separately

from other sources. Other interlocutors thought that the PetroCaribe deal could be announced as soon as early March, but delays in working out some of the technical details will likely extend the time before the deal is finalized until April or May. The recycling of the financed portion of petroleum purchases into a fund to make "social-productive" investments in Guatemala could potentially provide additional political and economic leverage beyond low-cost petroleum that Venezuela could use to increase its influence in Guatemala.

Derham